

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1320

IN THE MATTER OF:

Application of ATWOOD'S TRANSPORT) Served April 18, 1974
 LINES, INC., for Authority to)
 Increase Fares) Application No. 825
)
) Docket No. 258

By Application No. 825, filed January 29, 1974, Atwood's Transport Lines, Inc., (Atwood), seeks approval of proposed WMATC Tariff No. 18 which would cancel its current WMATC Tariff No. 17 and increase the rates to be applied to charter coach movements and regular route operations performed pursuant to Certificate of Public Convenience and Necessity No. 14. Pursuant to Order No. 1307, served March 5, 1974, as modified by Order No. 1309, served March 14, 1974, a hearing was held March 27, 1974, to develop an appropriate record upon which to determine whether the proposed rate structure would be just, reasonable and not unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District. No protests were received.

The proposed tariff would increase the rates for regular charter and charter sightseeing service and increase the fare charged for bus service over the regular route of Atwood between Washington, D. C., and Silver Hill, Md. The following two tables set forth the current rate and the proposed rate for charter (regular), and charter (sightseeing) service.

TABLE I

Vehicle Capacity	Hourly Rate		Mileage Rate	
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
38	\$12.50	\$13.50	\$ 0.75	\$ 0.82
41	\$12.50	\$13.50	\$ 0.70	\$ 0.75
45	\$12.50	\$13.50	\$ 0.75	\$ 0.80
47	\$13.50	\$15.00	\$ 0.83	\$ 0.88
49	\$13.50	-	\$ 0.78	-

TABLE II
CHARTER (SIGHTSEEING)
HOURLY RATE

<u>Vehicle Capacity</u>	<u>Current Rate</u>	<u>Proposed Rate</u>
38-41	\$16.50	\$17.50
45	\$16.50	\$18.00
47	\$17.50	\$19.00
49	\$17.50	-

NOTE: Round trips of 100 miles or less are based on hourly charge with a minimum charge of four (4) hours. Round trips in excess of 100 miles are based on the mileage charge or the hourly charge, whichever is greater.

Atwood used the calendar year 1973 as the historical period. The revenue and revenue deductions for the historical period and for the future annual period, calendar year 1974, are shown in Appendix A, attached hereto, and have been restated from the information filed by Atwood to conform with the mandate of the Compact. See Title II, Article XII, Section 6. Basically, this provision requires a determination of the return on gross operating revenues after all operating expenses including taxes properly chargeable to transportation operations have been deducted. See Title II, Article XII, Section 6(a)(4). Atwood's revenue estimates are based on several assumptions of the effect of the "energy crisis" on its potential customers. The primary changes in revenue deductions result from increases in the cost of fuel and labor included under the general heading "Transportation" and in projected increases in administrative and general expenses.

The financial data submitted by Atwood was supplemented at the time of hearing with additional information as to the basic cost of fuel and labor. The record indicates that, as of March 18, 1974, Atwood was paying \$0.3531 per gallon before taxes for its fuel. A recent labor contract settlement, which is retroactive to January 1, 1974, increased the hourly rate by \$0.34 and

the mileage rate by \$0.014. Upon the basis of these two recent developments, Atwood estimates that the original projection of transportation expense for 1974 was underestimated by \$51,000. The Commission has considered these operating expense adjustments, including the effect upon the tax expense, in determining the total revenue deductions for the future period.

Atwood has projected a 22.2 percent increase in administrative and general expenses. A portion of this projection is based on the company's policy to keep salaried employees at a level comparable to those in other industries. The projected increase in salary expense is estimated to be 8 percent. The Commission is of the opinion that the amount of the anticipated increase is speculative and that the dollar amount is not subject to positive determination on the basis of the record. Thus, the amount of increase in salary expense is not properly to be included as a projected revenue deduction for the future annual period.

Atwood's projections of revenue for the future annual period, without a fare increase and with a fare increase, are set forth in Appendix A. The projections indicate that Atwood would generate operating revenues in 1974 of \$1,559,442 without a rate change, and \$1,569,154 if the proposed changes in the rate structure are approved. These revenue projections are based on the assumption that the current energy crisis would have various effects upon Atwood's potential customers.

The projection of revenues from regular route passenger service for the future annual period indicates a small increase. Atwood believes that the decline in recent years in the number of passengers carried on its regular route between Washington, D. C., and Patuxent, Md., would end as a result of more persons using the service due to the energy crisis. Thus, the projected increase in revenues reflects the same ridership as in the historical period but at the higher rate structure.

The record contains no indication of the number of people who used the regular route service between Washington, D. C., and Silver Hill, Md. In addition, there is no evidence of record that the proposed increase in fare from \$0.70 to \$0.75 is justified

by the alleged increase in operating expenses. Therefore, the Commission cannot accept the projected figure.

The number of persons using the sightseeing service provided within the jurisdiction of this Commission is projected as declining by 25 percent. This estimate is based on the assumption that the only source of sightseeing groups coming into the Metropolitan District, school children, would be reduced as a result of parental concern about sending their children to Washington, D. C., in view of the current energy crisis. The Commission is of the opinion that the record does not substantiate this projection of a severe decline in sightseeing passengers.

The projected revenue figure for sightseeing was determined by reducing the historical period amount by 25 percent and then increasing that amount by some fixed percent in the percentage range of proposed increases. The record does not indicate clearly what was the percentage factor used or that this percent was representative of the total dollar amount of increase in sightseeing revenues which would result from the various proposed increases in the rates for sightseeing service. Therefore, the Commission cannot accept the projected amount of sightseeing revenues.

The charter revenue items reflect charter operations that are 300 miles or more from the Washington area, and those that are less than 300 miles. The charter operations that involve 300 miles or more are projected as declining by 20 percent due to the energy crisis and the assumption that adequate fuel would not be available in other areas of the country. These operations are beyond this Commission's jurisdiction and are properly a subject-matter for consideration only insofar as they constitute a revenue source and an operating expense. The record contains no substantiation for the contention that charter operations beyond 300 miles will or have declined. Thus, the Commission cannot accept the projected amount of charter revenues from these operations.

The number of groups expected to use Atwood's charter services within this Commission's jurisdiction is projected as remaining the same as in the historical period. In projecting the revenues to be generated in the future annual period by these

operations, Atwood has applied a flat percentage rate to the revenues generated in the historical period. The record does not contain a clear indication what percentage factor was used or whether this percent was representative of the total dollar amount of increase in charter revenues which would result from the various proposed increases in the charter rate structure. Thus, the Commission cannot accept the projected amount of charter revenues.

The revenues to be derived from contract operations are projected as increasing. Atwood assumed that the demand for contract service would increase as a result of the energy crisis. However, the record indicates that there has not been an increase in the demand for contract service. Also, the contracts which govern the provision of the service have not been renegotiated. Thus, any projection of a change in revenues would be speculative. Therefore, the Commission cannot accept the projected amount.

The Commission has found that Atwood has not substantiated on the record the projected revenue increases. Therefore, the revenues generated in the historical period will be used. This amount was \$1,593,887. The Commission has not accepted the proposed 8 percent increase in salary expense. The administrative and general expense must be reduced by \$10,413 and, assuming a 50 percent federal tax rate, the federal tax expense must be increased by \$5,207. Thus, the adjusted revenue deductions for 1974 would be \$1,500,019. The net operating revenue would be \$93,868 or a rate of return of 5.9 percent.

DISCUSSION AND CONCLUSIONS

The matter of fixing just and reasonable rates involves a balancing of the carrier and the consumer interests. See Compact, Title II, Article XII, Section 6(a)(3). From the carrier's point of view, it is important that there be enough revenue not only to cover operating expenses, but also to cover capital costs of the business and to provide a margin of profit. The capital costs include service on the debt and a reasonable portion of the earnings to be used by the carrier either in the business or as a return to the owners. The consumer's interest is protected in that the Commission has given consideration to the need in the

public interest of adequate and sufficient transportation service by the carrier at the lowest cost consistent with the furnishing of such service. Under these guidelines, the Commission is of the opinion that Atwood's proposed WMATC Tariff No. 18 is not justified on the record and should be denied.

According to the projections of Atwood, the net operating revenues for 1974 would be \$69,151 without a rate increase and \$74,342 with a rate increase. The Commission has determined on the basis of the record that the net operating revenues for 1974 would be \$93,868 without a rate increase. Atwood has projected a debt service obligation in the amount of \$28,050 for 1974. The net operating revenue to be generated in 1974 would be sufficient to meet the projected debt service obligations and provide Atwood with sufficient revenues available to enable Atwood under honest, economical and efficient management, to provide the services specified in its current tariff. Accordingly, the Commission concludes that the proposed tariff is not just or reasonable and may be unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District.

The other matters presented by the record have been considered but they do not warrant action contrary to that which is now directed.

THEREFORE, IT IS ORDERED that Application No. 825 of Atwood's Transport Lines, Inc., for approval of its proposed tariff, that would cancel the current WMATC Tariff No. 17, be, and it is hereby, denied.

BY DIRECTION OF THE COMMISSION:

Hyman J. Blond

HYMAN J. BLOND
Executive Director

APPENDIX A

ATWOOD'S TRANSPORT LINES, INC.

COMPARATIVE INCOME STATEMENTS

	YEAR 1973	1974 ESTIMATES <u>1/</u> WITHOUT FARE INCREASE	WITH FARE INCREASE
OPERATING REVENUES			
Passenger (Regular Route)	\$ 115,488	\$ 119,600	\$ 119,600
SPECIAL BUS-WMATC			
Sightseeing	\$ 61,116	\$ 45,800	\$ 49,200
Charter	74,270	74,270	80,582
Total	\$ 135,386	\$ 120,070	\$ 129,782
SPECIAL BUS-OTHER			
Charter	\$1,045,199	\$ 971,572	\$ 971,572
Contract	293,721	347,300	347,300
Total	\$1,338,920	\$1,318,872	\$1,318,872
TOTAL SPECIAL BUS	\$1,474,306	\$1,438,942	\$1,448,654
OTHER OPERATING REVENUE	4,093	900	900
TOTAL OPERATING REVENUE	\$1,593,887	\$1,559,442	\$1,569,154
OPERATING EXPENSES			
Equip. Maint. & Garage	\$ 281,469	\$ 279,281	\$ 279,281
Transportation	526,859	601,910	601,910
Station	64,475	62,700	62,700
Traffic & Advertising	19,400	21,041	21,041
Insurance & Safety	64,978	65,119	65,440
Admin. & General	127,068	155,271	155,271
Depreciation	117,449	124,675	124,675
Operating Taxes & Licenses	108,762	114,294	114,294
Operating Rents-Net	48,668	35,400	35,400
TOTAL OPERATING EXPENSES	\$1,359,128	\$1,459,691	\$1,460,012
INCOME TAXES: Federal	\$ 77,800	\$ 24,500	\$ 28,200
State	9,200	6,100	6,600
TOTAL REVENUE DEDUCTIONS	\$1,446,128	\$1,490,291	\$1,494,812
NET CARRIER OP. REVENUE	\$ 147,759	\$ 69,151	\$ 74,342
OPERATING RATIO	\$ 90.7	95.6	95.3
RATE OF RETURN	9.3	4.4	4.7

1/ Includes supplemental data submitted at the time of hearing.